Attorney General
Betty D. Montgomery

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December 4, 1998

Office of the Secretary
Magalie Roman Salas
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

Re: **Ex Parte filing: Two Originals filed** *In the Matter of The Application for Consent for Transfer of Control to SBC Communications, Inc. from Ameritech,* CC Docket No. 98-141.

Dear Ms. Salas:

On October 15, 1998, the Public Utilities Commission of Ohio (Ohio Commission) filed Comments in the above referenced docket. Based there is a proceeding pending before the Ohio Commission concerning the proposed merger of SBC Communications and Ameritech, the Ohio Commission committed to keeping the FCC apprised of major developments in the Ohio merger proceeding. Consistent with that commitment, I am enclosing the "Preliminary Independent Staff Proposal" relating to the issues identified by the Ohio Commission filed in the Ohio proceeding on November 9, 1998.

I am submitting two originals of this filing as well as six extra copies. Please time-stamp one of the copies and return it to me in the enclosed envelope. Thank you for your assistance in this matter.

Respectfully submitted,

Steven T. Nourse
Assistant Attorney General
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BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO

In the Matter of the Joint Application of SBC Communications Inc., SBC Delaware Inc., Ameritech Corporation, and Ameritech Ohio for Consent and Approval of a Change Of Control.	)	Case No. 98-1082-TP-AMT
In the Matter of the Joint Motion of the American Association of Retired Persons And Edgemont Neighborhood Coalition for a Commission-Ordered Investigation of the Proposed Acquisition of Ameritech Ohio by SBC Communications, Inc. and Related Matters	)	Case No. 98-1024-TP-UNC

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ATTORNEY GENERAL'S OFFICE

PRELIMINARY INDEPENDENT STAFF PROPOSAL RELATIVE TO THE ISSUES IDENTIFIED BY THE PUBLIC UTILITIES COMMISSION OF OHIO

I. INTRODUCTION

Pursuant to the Public Utilities Commission of Ohio (Commission) entry of October 15, 1998, wherein the Staff of the Public Utilities Commission of Ohio (Staff) was directed to analyze and evaluate the application filed in the above captioned case in light of the issues identified in the entry, the Staff presents this proposal as an independent preliminary analysis of the application, as it now stands before the Commission. This Staff proposal in no way supplants questions or concerns raised by the Commission in its October 15, 1998, entry. The proposal is intended to provide the Commission with assistance in its deliberations of the issues in this case.

The Staff believes the proposed merger of Ameritech Corporation and SBC Corporation (Applicants) raises several concerns relative to the issues set forth by the Commission in its entry of October 15, 1998. After a preliminary review of the application and the comments filed in this docket, Staff believes the application, as it currently stands, does not adequately demonstrate how the merger would promote the public convenience. It is important to understand that for the purposes of this preliminary review, Staff assumed that, in order to promote the public convenience, the merger must do more than hold the public harmless or simply maintain the status quo. Staff believes that, in order to "promote" the public convenience, the public must be better off after the merger than before the merger. Staff believes the application, as it currently stands, does not demonstrate how the public convenience would be better off after the merger. We do not dispute that the merger may benefit some national business customers. The proposed merger may enable the Applicants to "create a company with scale, scope, managerial, technical and financial resources" to take advantage of the move toward "globalization of the marketplace." However, Staff believes that the merger, as announced, creates some potential concerns to competition as well. In order for the merger to promote the public convenience, Staff believes the benefits of the merger must outweigh the potential harms.

Staff has examined the issues set forth by the Commission. Upon our preliminary investigation, Staff believes the concerns raised by the merger can be grouped into the issue categories identified by the Commission in its October 15, 1998, entry. Below we have briefly described why Staff believes the proposed merger raises each of the concerns and, generally, what can be done to eliminate or minimize the concerns. This proposal identifies preliminary Staff concerns related to the issues identified by the Commission. Parties should consider the Commission's questions and concerns identified in the entry, as well as the proposals set forth herein when preparing testimony.

II. OPERATION SUPPORT SYSTEMS

Adequate operation support systems (OSS) are crucial to the development of a competitive marketplace. OSS is the choke point of competitive entry. If an incumbent local exchange carrier's (ILEC's) OSS is not provisioned in an adequate manner, the new entrant carrier (NEC) has little, if any, hope of providing a competitive service. Staff believes that OSS is an area in which an ILEC may very easily engage in anti-competitive behavior. There have been a number of informal complaints that Ameritech has failed to provide an adequate OSS. There is also concern that Ameritech may not be providing service (via OSS) at the same level or on parity with the level it provides to itself. Staff is not suggesting that the concerns related to OSS have arisen solely as a result of the proposed merger. OSS is an issue that has been and must continue to be addressed in other forums and proceedings, such as Case No. 96-702-TP-UNC, Ameritech's Section 271 competitive checklist proceeding. However, Staff believes that the merger drastically raises the level of concern associated with OSS and the potential for anti-competitive behavior.

Ameritech already has centralized all of its competitive carrier-to-carrier OSS functions into a couple locations in the Ameritech region. With the merging of the Applicants, there is a concern that eventually the corporation will further centralize the OSS functions by creating one OSS center for all the merged companies. If the centralized operation were moved out of the existing Ameritech region, then the carriers operating in Ohio would have even more distant access to Ameritech's OSS functions than they do today.

Staff has received a number of informal complaints regarding Ameritech's OSS system. Staff has been working with the NECs and Ameritech to address these issues. While it is our belief that Ameritech is in the process of trying to improve its system, we have a concern that the merger may slow or prevent the implementation of any improvements. It is reasonable to assume that SBC will want to analyze existing Ameritech systems and make changes. We are concerned that the merger may result in a corporate decision to standardize the OSS operations even if the operations are not further centralized. If SBC's systems do not operate with the same protocols as the Ameritech OSS, then carriers using Ameritech's OSS will likely have their service affected as new protocols and standards are put into place and the learning curve is restarted. We are concerned with information that suggests SBC's OSS performance may be even worse than Ameritech's. If this is the case, then the merger raises a major concern that the SBC level of OSS service will be reflected in the Ameritech OSS systems.

Given the paramount significance of adequate OSS and the present concerns with OSS provisioning, any proposal that might exacerbate the concerns with the provision of OSS, demands a high level of scrutiny. Staff believes that any approval of the proposed merger would have to include mandatory OSS performance standards that have strict self-actuating penalties for missed standards. The standards and penalties would have to be clearly defined. Staff also believes that the concerns of further centralization of operations and dramatic changes in Ameritech OSS protocols must be diminished. This might be accomplished if the Applicants committed not to move Ameritech's OSS operations for a certain period. Also, the Applicants should commit to consulting with the NECs and the Commission prior to any movement of operations, in the distant future. While Staff does not want to create an unnecessary barrier to positive changes in OSS, we believe the Applicants should further commit that no protocol changes would occur without significant advance notice to and collaboration with the NEC industry. It is imperative that reliable, fully functional OSS systems be in place for NECs to have a reasonable opportunity to compete.

III. QUALITY OF SERVICE

Under the proposed merger, Staff is concerned that there will be pressures, driven by the need for efficiency gains, to consolidate facilities and resources. It is likely that this consolidation will result in the movement of personnel and facilities to Texas. SBC has indicated a commitment to no net loss of Ameritech employee levels across the five Ameritech states. This commitment would not prohibit Ameritech Ohio employee levels from diminishing as a result of the merger. Neither does this commitment prevent a decline in levels of service for Ameritech Ohio. It is likely that some employees currently engaged in providing service to Ameritech Ohio customers may be redirected to focus on other non-Ohio or non-regulated activities.

SBC's commitment does not prohibit future workforce reductions in the Ameritech states. SBC may be committing for the short-term, but Staff is concerned for the long-term. Specifically, Staff is concerned about the long-term employee and service levels dedicated to Ohio customers. If the proposed merger were to be approved, Staff believes it is reasonable to assume that the merged companies' operations would become more centralized than they are today. Staff is concerned that the focus on quality of service for Ohio's residential customers may be further diluted due to the increased breadth of the corporation's business, the increased focus on competitive opportunities over a substantially broader geographic region, and the increased spatial distance between the corporate decision-making and policy structure (Texas) and the residential customers in Ohio. Staff is concerned that such a focus may result in a degradation of service quality for Ohio's residential customers. This concern is exacerbated by the information that suggests SBC's quality of service record is inadequate in some areas. The proposed merger raises the concern that SBC's business policies and practices that impact on SBC's quality of service may be reflected in the Ameritech Ohio operations. These policies may further compound the difficulties Ameritech has encountered in meeting the Minimum Telephone Service Standards (MTSS).

Staff is concerned that Ameritech Ohio's quality of service may decline as a result of the merger. Between 1993 and 1995 when Ameritech restructured, creating 12 distinct business units and laying off thousands of employees in its five-state region, Ameritech Ohio's service quality seriously declined. This decline was evidenced by soaring consumer complaints and was reflected in Ameritech Ohio's own MTSS reporting to the Commission. The quality of service provided by Ameritech has never recovered to its previous levels. Since 1993, the Commission has initiated Commission Ordered Investigations (COIs) into Ameritech's quality of service. Among the issues covered by these COIs were answer time, installation delays, out-of-service restoral and missed appointments. The most recent COI (Case No. 98-711-TP-COI) concluded with a Commission-ordered audit of Ameritech Ohio's service quality reporting. The audit resulted in numerous changes to the reporting criteria used by Ameritech Ohio. Additionally, the stipulation included requirements for Ameritech Ohio to decrease the number of installations delayed due to lack of facilities and to reduce the number of repeat troubles. Similar issues have arisen in California since SBC acquired Pacific Bell in 1997. Complaints to the California Public Utilities Commission doubled; and problems with answer time, as well as installation and repair delays precipitated a service quality investigation. Staff believes we would be remiss if we did not consider that the proposed merger and any related reorganization could have a similar detrimental effect on the service quality provided to Ameritech Ohio's customers.

Staff is also concerned that the merged corporation may focus most of its energy on more competitive opportunities to the exclusion of less competitive services. Because of issues relating to marketing practices raised by the Office of Ratepayer Advocates of the CPUC and similar observances made in Ohio, Staff believes that the merger, as it currently stands, may exacerbate certain marketing practice concerns. Notably, with an intensified focus on marketing and competitive business, Staff is concerned that there would be less and less of the merged corporation's resources allocated to meeting the service quality needs of Ohio customers who do not have competitive alternatives. Ameritech Ohio has a statutory obligation to comply with the MTSS. Thus, customers must receive satisfactory service quality from the merged corporation. As the application now stands, Staff is not convinced that after the merger, all customers will be guaranteed adequate and equal quality of service. The merged entity could determine that allocating its resources to competitive businesses could result in earnings that by far offset any symbolic and/or substantive penalties that might result from not meeting Ohio's MTSS for residential customers who do not have competitive alternatives.

The Applicants seem to rely a great deal on the argument that "retaliatory entry" will produce consumer benefits such as quality of service. Staff believes it would be unwise to rely on the hope of retaliatory entry. Even if some retaliation takes place, there is no guarantee that all Ameritech Ohio customers will see a quality of service benefit. It is imperative that the Commission continue to protect the captive ratepayers, especially the residential ratepayers, until such time as effective competition can provide the protection. For the reasons enumerated above, it is Staff's position that quality of service for Ameritech Ohio's customers, especially residential customers, and Ameritech's marketing practices must receive special consideration in any review of the proposed merger. Staff believes that any approval of the proposed merger must include a detailed and thorough long-term plan related to quality of service, including a delineation of unacceptable marketing practices. Specifically, the plan should show how the Applicants would meet and exceed service quality standards for Ohio customers, with special attention to residential customers. Such a plan should also include specific and self-actuating penalties for not meeting service quality benchmark commitments or for engaging in unacceptable marketing practices. If the commitments to service quality and the self-actuating penalties were specific and significant enough, such a plan might serve to minimize service quality concerns raised by the proposed merger.

Even after considering the above quality of service issues, Staff is concerned that the proposed merger still presents a significant potential for harm to competition. This, coupled with the likely decline in attention paid to residential customers who do not have competitive alternatives, outweighs any benefits that the merger, as it is now proposed, might create for large national business users.

One way to be more certain that the proposed merger will promote the public convenience is if the merger to increased the provision of residential service by NECs. Increased residential competition will help balance against any inclination the Applicants would have to concentrate their resources on new competitive business opportunities while allowing captive customers in non-competitive areas to suffer lower quality of service. As proposed, Staff believes the merger will enable the Applicants to use the revenues generated from customers who do not have competitive alternatives to advance the Applicants' competitive business ventures without any proportionate benefit to the captive customers. A commitment to provide specific unbundled network elements (UNEs) and combinations in certain geographic areas would be one way to increase the possibility of residential competition and offset the concerns raised by the proposed merger.

Staff believes the law, as it currently stands, requires the provision of shared transport, as defined by the FCC. A commitment by the Applicants to expeditiously provide shared transport, as defined by the FCC, in a very short time frame may increase the likelihood of residential competition. We also believe that the Applicants could agree to specific UNE combinations at specific rates, which will increase the likelihood of residential competition. Staff is aware, however, that even the provision of UNE combinations does not guarantee that NECs will provide residential service. Staff is of the opinion that, should there be an agreement to provision specific UNE combinations, it would be imperative for the NECs to begin providing residential service. The NECs must take a long-term view of being a public utility and begin to offer residential service even if the short-term margins are not as favorable as those in the business market. Providing both shared transport and UNE combinations in certain geographic regions may help to add significant benefit to the merger.

IV. CARRIER-TO-CARRIER

There have been several allegations that suggest that Ameritech and its affiliates have engaged in unequal treatment of these affiliates as compared to non-affiliate carriers. This is a concern with or without the merger. The merger significantly increases the concern. Many of the concerns relative to carrier-to-carrier service quality and anti-competitive behavior are similar to the concerns regarding end user quality of service. To diminish the carrier-to-carrier concerns raised by the proposed merger, Staff recommends that the Applicants be required to commit to specific levels of carrier-to-carrier service quality with specific and self-actuating penalties for failures to meet commitments. Carrier-to-carrier service quality levels should meet or exceed the MTSS. This should include immediate compliance with previous Commission orders in Case No. 96-1175-TP-ORD requiring the amendment of interconnection agreements to address all relevant aspects of the carrier-to-carrier relationship, including recourse provisions. Furthermore, to assure that the Applicants provide the same level of service to non-affiliated carriers as the Applicants provide to themselves and their affiliates, Staff believes the Applicants must commit to regular reporting of the service quality levels. Similarly, Staff believes it is important that the Applicants not provide any interconnection services or UNEs at a level of quality below that which is provided to the Applicants (as NECs) out-of-region.

Staff believes there is increasing information that Ameritech Ohio only reluctantly engages in dispute resolution and is less than fully cooperative. This, coupled with SBC's alleged reputation of regularly pursuing litigation as opposed to more expeditious resolution processes, leads Staff to believe that the merger raises the concern that resolution of disputes after the merger may be even more protracted. In order to diminish that concern, Staff believes that the Applicants should commit to work with the Staff and the NECs to develop highly specific alternative dispute resolution procedures and the Applicants should commit to pursue the specific alternative dispute resolution processes in good faith and whenever possible. The Applicants should also commit to cooperate fully in informal settlement discussions in order to insure timely provisioning of services to Ohio consumers.

V. MARKET POWER

As the Commission noted in its October 15, 1998 entry, NECs, cable companies, and residential consumer groups all allege that the proposed merger will impact their current and future relationship with Ameritech Ohio, either as potential providers or consumers of competitive local service. Staff believes that any approval of the proposed merger would need to include the appropriate tools to mitigate market power in order to allow the development of effective competition and thereby promote the public convenience.

The Ameritech Ohio local exchange geographic market retains many of the characteristics of a monopolistic market. This is certainly true of the residential and small business market. Through the end of October 1998, at least, 60 facilities-based and reseller new entrants were certified to provide local service in the Ameritech Ohio service area, only 14 market participants report they are "operational." Even those that are known to be operational may be serving only a portion, but not necessarily all, of their approved service area. In addition, of those operational facilities-based NECs, none are providing residential service.

Staff believes that the merger, as it is currently proposed, may increase Ameritech Ohio's market power dominance and may present a significant additional barrier to the emerging competitive market. Both the Applicants claim that, with a minor exception on the part of Ameritech, neither has a significant presence in the other's local market. However, the Commission noted in its October 15, 1998, entry, that SBC had targeted markets in Cleveland, Columbus and Dayton in order to provide a competitive alternative to Ameritech Ohio. Staff's concern is that it appears SBC would have entered the Ameritech Ohio market, absent the merger, thereby diminishing Ameritech Ohio's market power in those geographic markets.

Vigorous competition would challenge the market dominance currently held by Ameritech Ohio and would diminish the opportunities for Ameritech to exercise market power abuse. The Applicants argue that their "national-local strategy" will increase the level of competition and promote the public convenience and necessity in Ohio. They further claim that their combined efforts to compete aggressively in markets outside their merged service territories will result in more concerted efforts by rivals to enter the Applicants' service territories in "retaliation." Staff takes little comfort, however, in promises of retaliation by unknown rivals as an aid to diminishing Ameritech Ohio's local market power, particularly when current market participants attempting to build market share in Ohio appear to be finding market entry difficult even before a proposed merger which would provide Ameritech with additional resources and tools to forestall competition.

Many NECs have become operational only after months of negotiations and/or arbitration for negotiated interconnection agreements with Ameritech Ohio. Once operational, NECs regularly inform Staff that they are having serious difficulties in receiving timely and adequate service from Ameritech Ohio. Such delays constitute barriers to market entry. Staff is concerned that post-merger NECs will find negotiating with Ameritech more difficult than current NECs experienced due to Ameritech's increased market power. Staff believes that, in order to diminish the serious concerns of increased market power dominance, in addition to the Applicants' national-local strategy, any approval of the proposed merger must predicate an "Ohio" strategy for local service competition to diminish Ameritech's existing market power.

Staff believes that any Ohio strategy for diminishing existing market power through elimination of barriers to market entry must address the following issues:

1. process,
2. negotiation and arbitration negotiation,
3. customer service to market participants,
4. implementation, and
5. compliance.

Staff is concerned that the merger not increase Ameritech Ohio's market power dominance. Staff is of the opinion that any approval of the proposed merger must include a commitment by the Applicants to provide Staff with a test of market power to be applied on a forward-going basis such that the Commission can determine whether Ameritech's market power level is maintained, increased, or decreased following the merger, and thereby take any appropriate action in the future. Staff also believes that any approval of the proposed merger should include a clear understanding of what the Applicants would be required to do to address their market power if there appears to be no retaliatory market entry and/or should a post-merger application of the market power test show Ameritech Ohio to have not decreased or to have increased their market power.

VI. COST SAVINGS

Staff considers that the proposed merger and the resultant economies of scale and scope of a merged corporation will result in considerable benefits to the Applicants. The realization of financial benefits could be in the form of an incremental increase in revenues or the achievement of net cost savings. In the latter case, such savings could be realized immediately, or over a period of time, by a variety of actions initiated by the Applicants, including a reorganization of the merged corporation, changes in internal operations, investment in state-of-the-art infrastructure, a conditional response to the forces of the market in which it operates, and so forth. Other realized benefits to the Applicants could include the merged corporation maximizing its presence or entry in competitive markets and/or offering additional competitive services to customers within existing service areas.

Staff believes that the proposed merger will provide the Applicants with great possibilities to achieve economies of scale and scope in various services such as, but not limited to, marketing, customer research, customer service, sales, and billing and collection. The Applicants have enumerated merger-related synergy benefits of $778 million in increased revenue growth, $1.43 billion in cost savings and $300 million with respect to long distance service. The proposed merger raises the question of who should benefit from any net cost savings, which arise as a result of the merger.

The Staff believes that the Applicants have not demonstrated in the application as it currently stands, how the public would benefit from any cost savings resulting from the proposed merger. Staff is of the opinion that to the degree Ameritech Ohio ratepayers in any way contribute to the financial success of the merged corporation, the Ameritech Ohio ratepayers must receive some benefit. Staff is also of the opinion that as long as the Applicants continue to have captive ratepayers without competitive alternatives, such ratepayers should benefit from any increased synergies resulting from the merger. If that benefit is not increased competitive alternatives, then some other benefits must be established. Staff recommends that any approval of the proposed merger should include a definitive plan, by the Applicants, which will ensure the pass-through of benefits to ratepayers should sufficient competitive alternatives not develop for Ameritech Ohio customers.

VII. INFRASTRUCTURE

The proposed merger presents some concerns to Staff regarding Ameritech Ohio's infrastructure. Generally, there are two concerns. The first concern is that the merged entity will begin to allocate resources to infrastructure investments outside of Ohio that might have been invested in Ohio had the merger not taken place. The second concern is that the merged entity will begin to focus its resources on its competitive ventures to the detriment of its captive customers, by maintaining a state-of-the-art network for the customers with competitive alternatives while allowing the network and services of the captive customers to fall into a second-class status.

Staff believes that, in order to eliminate our infrastructure investment concerns, any approval of the proposed merger would have to include requirements that the Applicants maintain the network and services of the customers without competitive alternatives at the same level as the network and services the Applicants provide to customers with competitive alternatives whether or not those customers are in Ohio. A system for defining resource investment benchmarking should also be implemented for infrastructure in Ohio. Any approval of the proposed merger should also establish clear infrastructure reporting requirements. The Applicants should be required to provide Staff and the Commission with a periodic report of network enhancements and technological innovations that have been implemented wherever they offer service. Ohio should be guaranteed that these infrastructure investments and innovations will be deployed and delivered to Ohio's customers as they are being deployed and delivered in other states.

VIII. IN-STATE PRESENCE

The Staff assumes that the proposed merger will result in a consolidation of the Applicants' resources, the movement of decision-making, business practices and regulatory affairs further away from Ohio, and intensified refocusing of the Applicants' attention toward new competitive business opportunities. As these factors could result in eroded quality of service for residential customers, so too, are these factors likely to result in concerns for how and how much the Applicants would invest their resources in Ohio. The issue of tracking dollars would become an even more difficult and complex process than it is today. To minimize these merger-related concerns and ensure that Ohio receives a fair allocation of the Applicants' investment dollars in an environment in which pressures exist for it not to do so, Staff believes that any approval of the proposed merger must include a requirement for the Applicants to determine their earnings and investments on a per access line and customer class basis in Ohio. This figure should then be compared to the earnings and investments on a per access line and customer class basis in all of the other states being served by the merged corporation. Ohio should be guaranteed that in-state financial investments would be, at a minimum, proportionate to Ohio's contribution to the corporation's earnings based on this formula.

Finally, if the merged corporation were to reallocate its resources to its competitive business services and the focus on Ohio's captive customers became diluted by the broadened scope of corporate interests, it is likely that there would be an erosion of Ameritech Ohio's concern for the remaining non-telephone households in the state of Ohio. Any approval of the proposed merger should include a requirement for the Applicants to perform a series of studies to determine the various causes of non-telephone households in Ohio. This research should be conducted under the guidance and review of the Staff and the Commission. The studies should offer concrete conclusions as to the cause of non-telephone households in the State. The Applicants should also commit to specific short-term and long-term, detailed plans to address these problems. The Applicants should identify practices and policies that it will implement over a specific period of time and under Commission review for decreasing the number of non-telephone households in Ohio.

IX. BOOKS AND RECORDS

The proposed merger, along with an increase in competition in the telecommunications industry, would create additional affiliated entities for Ameritech under the new holding company. Staff believes these new affiliates would create an increased potential for inappropriate cross-subsidization, as well as potential anti-competitive activities such as sharing of customer information and inside information. In order to verify that this is not occurring, Staff believes that, to receive approval of the proposed merger, the Applicants would need to agree to make available to Staff, all books and records of Ameritech, the holding company and all affiliates as determined relevant by the Staff in order to meet its regulatory responsibilities.

In addition, if the books and records can not reasonably be made available in Ohio, the Applicants should agree, upon request of Staff, to reimburse the Commission for any expenses incurred in examining the books and records that would not have been incurred if the books and records were located in Ohio.

X. AFFILIATES

SBC has an affiliated IXC, Southwestern Bell Communications Services, Inc. (SBCS) certified to operate in Ohio. Therefore, absent some action, if the proposed merger were approved, the Applicants would be in violation of Section 271 of the Telecommunications Act of 1996 (1996 Act). To eliminate the conflict with the 1996 Act, Staff believes that SBCS will have to abandon its certification as an IXC in Ohio. Eliminating a potential competitor from the market is certainly not a desirable outcome and, in fact, argues against the Applicants' notion that the merger will increase competition, however, Staff sees no other solution.

In addition, the local and IXC certification cases (Case Nos. 96-327-CT-ACE and 96-658-TP-ACE) of Ameritech Communications, Inc. (ACI), should be withdrawn. Staff understands that these certifications have not been approved. However, we see no practical reason to keep these cases open. No part of the existing records in these cases in any way represents the currently proposed structure of the merged companies. Furthermore, Staff believes it would be appropriate to require Ameritech to not only withdraw the certification applications, but to also agree not to seek certification until there is a better understanding that Ameritech Ohio is in compliance with the competitive checklist requirements of Section 271 of the 1996 Act.

RESPECTFULLY SUBMITTED,

On Behalf of the Staff of the Public Utilities Commission of Ohio

Steven Nourse

Steven T. Nourse
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CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing **PRELIMINARY INDEPENDENT STAFF PROPOSAL RELATIVE TO THE ISSUES IDENTIFIED BY THE PUBLIC UTILITIES COMMISSION OF OHIO** was served by regular U.S. mail, postage prepaid on each party of record, this 6th day of November, 1998.

Steven T. Nourse

Steven T. Nourse